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This report has been prepared by Capita Pension Solutions Limited on behalf of the UPM-Kymmene UK Pension Scheme

Trustee and its Advisers

Trustee	Capital Cranfield Pension Trustees Limited (Represented by K Wesbroom)
Principal Employer	UPM-Kymmene (UK) Limited Meadowhead Road Irvine KA11 5AT
Scheme Administrators, Consultants and Secretary	Capita Pension Solutions Limited Hartshead House 2 Cutlers Gate Sheffield, S4 7TL
Auditor	CLA Evelyn Partners Limited (<i>Formerly Nexia Smith & Williamson Audit Limited</i>) 21 Portwall Lane Redcliffe Bristol BS1 6NA
Scheme Actuary	P Moore Buck Consulting Forty Four Peter Street Manchester M2 5GP
Legal Advisers	Pinsent Masons LLP 141 Bothwell Street Glasgow G2 7EQ

Trustee and its Advisers

Investment Manager

Cardano
6 Bevis Marks
London EC3A 7BA

Legal & General Investment Management
One Coleman Street
London EC2R 5AA

AVC Providers

Utmost Life and Pensions Limited
Utmost House
6 Vale Avenue
Tunbridge Wells TN1 1RG

AVIVA
Colgate Business Centre
PO Box 520
Norwich NR3 1BH

Prudential
PO Box 2734
2nd Floor
Abbey Gardens
Reading RG1 3UG

Royal London Mutual Insurance Society Limited
55 Gracechurch Street,
London,
EC3V 0RL

Trustee's Report

The Trustee of UPM-Kymmene UK Pension Scheme (the 'Scheme') is pleased to present the annual report together with the audited financial statements for the year ended 31 March 2023. The DB section was closed to new entrants on 1 April 2001 and to future accruals on 31 December 2007. The DC section was closed to future accruals from 31 May 2020 and, following a bulk transfer without member consent, was transferred to the Legal and General WorkSave Mastertrust on 7 August 2020.

The Scheme was established and is governed by a Trust Deed and Rules dated 27 September 2005, amending Deeds dated 11 April 2006, 1 December 2006, 10 September 2008, 30 June 2016, 16 May 2020, 11 August 2020 and 24 November 2020. The Scheme is registered under the terms of the Finance Act 2004. Prior to the introduction of this act from 6 April 2006, the Scheme was a "tax exempt approved plan" under the terms of the Income and Corporation Taxes Act 1988.

Scheme Management

Trustee and its Advisers

The Trustee who served during the year is shown on page 2.

The Trustee has appointed advisers to assist in the administration and governance of the Scheme. These advisers are listed on pages 2 and 3.

Trustee Meetings

The Trustee met formally 8 times during the year and further meetings were held as and when required.

Principal Employer

The Principal Employer of the Scheme is UPM-Kymmene (UK) Limited (the Company).

The Trustees have agreed a guarantee with the Sponsor dated 30 March 2023, which is in the form of a parent company guarantee provided by UPM-Kymmene Corporation ('UPM Corporation'). As part of this agreement, UPM Corporation will cover the obligations of the Sponsor up to a maximum of £130m should a section 75 debt become due within 15 years of the effective date of the April 2022 valuation (i.e. the guaranteed term is until 1 April 2037)

Scheme Changes

There have been no changes to the Scheme within the period.

Trustee's Report

GMP Equalisation

In October 2018, the High Court ruled that pension schemes are required to equalise benefits between men and women for the effect of Guaranteed Minimum Pensions (GMP) which were accrued on or after 17 May 1990.

On 20 November 2020 the High Court ruled that trustees owed a duty to a transferring member to make a transfer payment which reflected the member's right to equalised benefits. Where the initial transfer payment was inadequate on this basis the trustee is under an obligation to make a top-up payment to the receiving scheme on behalf of the transferred member.

The Trustee has reviewed, with its advisers, the implication of these rulings in the context of the scheme rules and the value of any liability. On completion of the review the Trustee will put together a plan for correcting past benefits as well as inequalities in benefits coming into payment.

GDPR

The General Data Protection Regulation ("GDPR") is a regulation in EU law of the European Parliament intended to strengthen and unify data protection for all individuals within the EU. It also addresses the export of personal data outside of the EU.

The Data Protection Act 2018 (DPA 2018) enshrined GDPR in UK law from 23 May 2018 and the Trustee worked with its advisers to formulate its GDPR policy so that it was compliant.

From 1 January 2021, the UK GDPR came into effect which will run alongside the DPA 2018, and the EU GDPR to which all EU nations remain subject, and this includes where Capita, as Scheme administrator, operate within the EU. This ensures that we have adequate provision for the safe processing of data in the UK and in the EU/EEA.

The Trustee's obligations under the UK GDPR are fundamentally the same as our obligations under the EU GDPR and it continues to remain subject to UK Data Protection laws.

Trustee's Report

Scheme Membership

Details of the membership of the Scheme as at 31 March 2023 are given below:

	Pensioners 2023	Members With Preserved Benefits 2023	Total 2023	Total 2022
Members at the start of the year	810	1,016	1,826	1,862
Prior year adjustments	-	-	-	(2)
Deaths	(23)	(4)	(27)	(27)
Retirements	43	(43)	-	-
Trivial Commutations	-	-	-	(2)
Transfers out	-	(19)	(19)	(21)
New Spouse's pension	10	-	10	16
	840	950	1,790	1,826

Pensioners also include 27 annuitant pensioners and dependants (2022: 27) where pensions are paid from annuities held in the name of the Trustee.

These membership figures do not include any movements notified to the Administrator after the completion of the annual renewal.

Draft single code of Practice

The Pensions Regulator (tPR) released a consultation document on 17 March 2021 on the new Single Code of Practice (including a full draft of the Code). The new Code aims to bring together all 15 existing Codes of Practice, plus various pieces of existing guidance and new material required as a result of the 2018 Occupational Pension Schemes (Governance) regulations.

The consultation closed in May 2021 and tPR have carried out a full review of the responses received and whilst they do not have a firm final publication date for the new code, tPR have indicated that the Single Code, which will now be called the General Code, is unlikely to become law until autumn 2023 at the earliest.

The Trustee has agreed that once the final version of the General Code is published it will work with Capita to assess how the current governance practices compare with tPR's new expectations and ensure any necessary enhancements are implemented.

Trustee's Report

Benefit Review

During the year deferred benefits were increased in accordance with legislative requirements.

GMPs in payment which accrued after 5 April 1988 were increased in accordance with legislative requirements. Pensions in payment (in excess of GMPs in payment), accrued from 6 April 1997, were increased in accordance with the Trust Deed & Rules.

Section	Benefit splits	Rate of Increase	Date of Increase
Kymmene (inc. Execs)	Pre 06.04.1991	RPI max 3%	1 April
	Post 06.04.1991	RPI max 5%	1 April
	Post 01.07.1996	RPI max 8.5%	1 April
Wood	Pre 06.04.1997	5%	1 April
	Post 06.04.1997	RPI max 5%	1 April
Loparex, Caledonian EBS	Pre 06.04.1997	No increase	1 April
	Post 06.04.1997	RPI max 5%	1 April
Norfolk	All excess benefits	3%	1 April
Finnpap	All excess benefits	RPI max 8.5%	1 April
Walki Wisa	Pre 01.01.1988	RPI max 4%	1 January
	Post 01.01.1988 – 05.04.1997	3%	
	Post 06.04.1997	CPI max 5%	1 January
Shotton, Shotton Execs, Tillhill	All excess benefits	RPI Max 5%	1 January
Shotton Senior Execs, Tillhill Execs	All excess benefits	RPI max 8.5%	1 January

Review of the Financial Developments during the year as shown by the Audited Financial Statements

The Financial Statements on pages 30 to 46 show that the value of the Scheme's net assets decreased from £439.8m to £277.1m as at 31 March 2023.

The financial statements have been prepared and audited in accordance with the regulations made under Sections 41(1) and (6) of the Pensions Act 1995.

Further details of the financial developments of the Scheme may be found in the audited financial statements on pages 30 to 46.

Review of the Scheme's financial prospects having regard to the actuarial valuation and statement

The last full actuarial valuation of the Scheme was performed by Mr P Moore of Buck Consulting as at 1 April 2022 which revealed the Scheme to have a surplus on an ongoing basis of approximately £34m. In light of this there is no requirement for the Company to make any contributions to the Scheme to protect the funding position.

Trustee's Report

Review of the Scheme's financial prospects having regard to the actuarial valuation and statement (continued)

The Scheme's asset value fell significantly during the year. This is because in large part the assets are invested to match the Scheme liabilities - and the value of liabilities fell significantly over the year, as a result of the substantial increase in long term interest rates. To the extent that the movement in assets matches the movement in liabilities, the Scheme's funding level remains unchanged.

A copy of the latest Actuarial Certification can be found on page 25 of this Report. In addition, the full report on the triennial valuation of the Scheme and the Schedule of Contributions is available for inspection.

The next valuation of the Scheme is due as at 1 April 2025.

Contributions

The Defined Benefit scheme is closed to future accrual and therefore no contributions are payable by the members. No employer contributions are due as a result of the actuarial valuation as at 1 April 2022.

Transfers

Members leaving service can normally transfer the value of their benefits under the Scheme to another Scheme that they join or to an insurance contract or personal pension.

The transfer value of a Scheme member's benefits includes no allowance for any discretionary benefits which might be awarded in the future.

The Scheme pays out the full amount of transfer values calculated on the existing transfer value basis in accordance with actuarial guidance.

Additional Voluntary Contributions (AVCs)

There is provision for members to pay Additional Voluntary Contributions (AVCs) in order to increase their benefits under the Scheme. Any new AVCs are paid via additional member contributions to the Scheme.

Some legacy AVC arrangements are invested in special insurance contracts where they benefit from the tax concessions available to pension arrangements.

Members can presently increase their contributions, at any time. Full details are available on request via the UPM-Kymmene UK payroll team manager.

Trustee's Report

Expression of Wish Form

The Trustee wishes to remind members that they can indicate to the Trustee the persons to whom they wish any lump sum benefits and pension benefits to be paid in the event of their death. The Trustee will then be able to take members' wishes into account, although they are not obliged to do so. Members are also urged to review their Expression of Wish Form should their circumstances change.

Expression of Wish Forms are obtained via the Hartlink webtool provided to all members. Any member who has not registered should do so immediately at: www.myupmpension.co.uk.

Further Information

Further information about the Scheme is available, on request, to members and prospective members, their dependants and other beneficiaries together with recognised trade unions. In particular the documents constituting the Scheme, the Rules and a copy of the latest actuarial report and the Trustee's Statement of Investment Principles can be inspected.

If members have any queries concerning the Scheme in general or their own pension position, or wish to obtain further information, they should contact Capita Pension Solutions Limited or login to the Hartlink webtool where a copy of the Scheme booklet and additional information about their entitlement to benefits exists.

If members have any complaints in relation to the Scheme, they should in the first instance contact:

UPM-Kymmene UK Pension Scheme
Capita Pension Solutions Limited
48 Finnieston Square
Skypark 4
Glasgow G3 8ET
Telephone: 0845 601 0607
E-mail: upmpensions@capita.co.uk

The applicable Data Protection Legislation covers information, which is held electronically, i.e., computer-based information and paper-based records held for individuals on the processing of sensitive personal data to which individuals must have given express consent. Sensitive information can include information on, for example, the health of a member.

The Trustee, the Principal Employer and the Scheme's advisers each have a legal obligation and a legitimate interest to process data relating to members for the purpose of administering and operating the Scheme, which includes passing on data to third parties, as mentioned above.

The Trustee, the Principal Employer and the Scheme Actuary are regarded as "Data Controllers", for the purposes of the applicable Data Protection Legislation, in relation to the process referred to above. The advisers appointed by the Trustee are "Data Processors".

Trustee's Report

Summary of Contributions

Statement of Trustee's Responsibilities in respect of Contributions

The Scheme's Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the Employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Scheme's Trustee is also responsible for keeping records of contributions received in respect of any active member of the Scheme and for procuring, that contributions are made to the Scheme in accordance with the Schedule.

Trustee's Summary of Contributions

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the employer and member contributions payable to the Scheme under the Schedule of Contributions certified by the actuary on 31 March 2023 in respect of the year ended 31 March 2023. The Scheme Auditor reports on contributions payable under the Schedule in the Auditor's Statement about Contributions.

2023

	£
Employers	
- Deficit Funding	-
Contributions payable under the Schedule of Contributions	
(as reported on by the Scheme Auditor)	-
Reconciliation of contributions payable under the Schedule of Contributions to total contributions reported in the financial statements, reported in the accounts in respect of the Scheme year.	
	£
Contributions payable under the Schedule of Contributions (as above in the Trustee's Summary)	-
Members' additional voluntary contributions	34,738
Total contributions reported in the financial statements	34,738

Trustee's Report

Investment Matters

Overview

The Trustee has appointed Cardano to act as the fiduciary manager for the Scheme's investments.

In a fiduciary management model, the Trustee focuses on setting high-level investment and risk objectives and deciding which types of investments are appropriate for the Scheme. The Trustee has agreed investment and risk objectives with Cardano as well as a set of investment guidelines specific to the Scheme. The responsibility for day-to-day investment decisions is then delegated by the Trustee to Cardano.

Investment managers

The names of those who have managed the Scheme's investments during the year are listed on page 3. The Trustee has delegated the day-to-day management of the investments to its appointed fiduciary manager. Cardano may appoint third party fund managers to manage a portion of the Scheme's assets as well, in which case, a written agreement with each manager sets out the terms on which the manager will act.

The managers' duties include the consideration of social, environmental or ethical issues in the selection, retention and realisation of investments as well as voting and corporate governance in relation to the Scheme's assets. The Trustee has reviewed each of the investment managers' policies on these issues. The Trustee believes that the policies adopted by the managers are consistent with their own views.

Investment principles

In accordance with Section 35 of the Pensions Act 1995, the Trustees have prepared a Statement of Investment Principles (SIP) setting out their policy on investments. The SIP was last updated in September 2020 and is publicly available at the following website:

http://www.myupmpension.co.uk/~media/document-libraries/upm/2020/upm_db_sip_2020_trustee_signature_redacted.pdf?la=en&hash=AE277ED4C70BB86DE6FC263E25DA4C4B4E2B4148

There were no material departures from the stated principles during the year under review.

Departures from investment principles

To the best of its knowledge, the Trustee can report that there has not been any departure from the SIP by the Scheme's investment managers during the year ended 31 March 2023.

Custodial arrangement

The investment managers have appointed independent custodians to the assets underlying the funds they manage. The custodians are given in the table below:

Manager	Custodian
Cardano	State Street

Trustee's Report

Employer-related investments

In accordance with the Occupational Pension Schemes (Investment) Regulations 2005 and further amendment in 2010 the Scheme was not in breach of holding more than 5% of the market value of the Scheme's assets with the Principal Employers' equity capital as at 31 March 2023.

Asset allocation

Fund Manager	Fund	Asset Allocation¹ (£)	Asset Allocation (%)
Cardano	Cardano Solution Fund 18	259,135,976	99.9
LGIM	Cash Fund	316,902	0.1
	Total	259,452,878	100.0

1. This valuation does not include any money held in the Trustee's bank account.
2. The Scheme invested in a single Cardano Solution Fund. The table on page 44 shows the allocation within the fund to return seeking and LDI assets.

Review of investment performance

The table below shows the performance of the Scheme's assets since inception of the new fiduciary management approach to 31 March 2023.

Manager	12 months to 31 March 2023*	Since inception (p.a to 31 March 2023*)
	%	%
Overall Scheme Return	-35.0%	-6.9%
Benchmark Return	-26.1%	-5.4%

* The inception date of the new Fiduciary approach is 30 April 2019.

Longer periods will be shown as the track record builds up over time.

Investment risk disclosures

Investment risks are disclosed in note 19 on pages 41 to 44.

Trustee's Report

Implementation Statement

Introduction

This implementation statement ("Statement") is produced alongside the Trustee Report and Accounts and is required by pensions regulations. The Trustee of the UPM-Kymmene UK Pension Scheme (the "Trustee", "we" or "our") has prepared this Statement to provide stakeholders with a transparent and accurate review of how it has acted in line with the stewardship and engagement policies set out in the Statement of Investment Principles (the "SIP") for the UPM-Kymmene UK Pension Scheme (the "Scheme") during the accounting year.

This Statement includes details of:

- Compliance against the stewardship and voting policies.
- Any changes made to the stewardship and voting policies ("Stewardship Policy") during the year; and
- Specifically, how the Scheme's investment managers voted and engaged on our behalf.

This statement has been prepared by the Trustee to cover the period 1 April 2022 to 31 March 2023 and relates to the Defined Benefit ("DB") assets only. For the avoidance of doubt, the Scheme historically also had a Defined Contribution ("DC") section, which has now been transferred out.

The Statement is publicly available at: <http://www.myupmpension.co.uk/governance-and-trustee-info/useful-documents>

Executive Summary

The day to day management of the Scheme's assets is delegated to Cardano Risk Management Limited (the "Fiduciary Manager"). In advance of the appointment, the Trustee took steps to ensure that the management of the Scheme's assets and the Fiduciary Manager's policies were aligned with the Trustee's own policies. The Trustee continues to monitor the Fiduciary Manager, as part of its regular interactions with them.

We monitor the voting and engagement activity of the Scheme's investment managers, and, through the Fiduciary Manager, challenge their decisions.

The Trustee focuses its efforts on those investment managers where voting and engagement is material. The policies of those investment managers are summarised in this Statement, along with examples of the type of activity which took place during the period covered by this Statement. Some of the investment managers use investment approaches where stewardship is less likely to be relevant or significant. The Trustee is comfortable that our Fiduciary Manager has an appropriate approach to assess the stewardship and voting policies for all investment managers, and we receive a summary of the Fiduciary Manager's overall assessments once a quarter.

1. Our Stewardship Policy

1.1 What is Stewardship?

"Stewardship" is the responsible allocation, management, and oversight of capital to create long-term value for members, which should also lead to sustainable benefits for the economy, the environment and society. In practice, stewardship is affected through exercising the right to vote on any shares which are owned by the Scheme and engaging with the management of any companies or properties where an investment has been made.

Trustee's Report

Implementation Statement(continued)

1. Our Stewardship Policy (continued)

1.2 What is our Stewardship Policy?

The Stewardship Policy in force during the financial year was:

“Financially material considerations over the appropriate time horizon of the investments

The Trustee has a long-term time horizon for their portfolio and therefore acknowledges the importance of being a responsible investor. The Trustee considers responsible investment to be the integration of environmental, social and governance factors into investment decisions in respect of their portfolio where financial risk and / or return is or could be materially affected (“Responsible Investment”).

The Trustee has delegated responsibility to take account of environmental, social and governance factors (ESG) in investment decision making to the Fiduciary Manager. This includes investments made directly by the Fiduciary Manager as well as those in pooled funds managed by third parties. In the latter case, where new investments are made with external investment managers, the Trustee expects the Fiduciary Manager to take into account ESG (including but not limited to climate change), consistent with its approach to Responsible Investment. The Fiduciary Manager is responsible for monitoring how external investment managers take into account ESG within their investment process. Monitoring by the Trustee of the Fiduciary Manager is undertaken on a regular basis.

The Trustee does not take the views of individual members and beneficiaries, including (but not limited to) their views in relation to governance, social and environmental impact, into account when making investment decisions. The Scheme's assets are largely held in pooled arrangements therefore, it is not possible to reflect individual member views. However, the Trustee believes that by being a responsible investor, it is managing investment risk with the aim of enhancing long term portfolio returns, which is in the best interests of the members and beneficiaries of the Scheme.

The exercise of the rights (including voting rights) attaching to the investments

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers. The Fiduciary Manager encourages the Scheme's investment managers to discharge their responsibilities in respect of investee companies in accordance with the Stewardship Code published by the Financial Reporting Council.

The extent to which non-financial matters are taken into account in the selection, retention and realisation of investments.

The Trustee believes that by being a responsible investor, it is managing investment risk with the aim of enhancing long-term portfolio returns, which is in the best interests of the members and beneficiaries of the Scheme. Beyond these requirements of responsible investing, the Trustee does not explicitly target any non- financial matters in their investment decision making.

Trustee's Report

Implementation Statement(continued)

1. Our Stewardship Policy (continued)

Undertaking engagement activities in respect of the investments

Where relevant, the Trustee prefers its investment managers to have an explicit strategy, outlining the circumstances in which they will engage with relevant persons (an issuer of debt or equity, an investment manager, another stakeholder or holder of debt or equity) on relevant matters (including performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance matters) and how they will measure the effectiveness of this strategy.

In practice, the Trustee would not typically expect to engage directly, but rather via the investment managers or Fiduciary Manager. The Fiduciary Manager is responsible for engaging with investment managers regarding those investment managers' voting records and level of engagement with the underlying investments, where this is expected to have meaningful impact.

Stewardship policies and voting records are reviewed (and discussed with the investment managers) at least annually by the Fiduciary Manager, who will collate the qualitative and quantitative information required to allow the Trustee to review all of the above aspects in sufficient detail each year. The Trustee will challenge any arrangements or stewardship practices that do not align with their Responsible Investment approach."

Engagement

The Fiduciary Manager is responsible on an ongoing basis for engaging with our investment managers. For managers where it is expected to have a meaningful impact, the Fiduciary Manager monitors voting records and the level of engagement with underlying investments.

The Trustee has recently selected three stewardship priorities for manager engagement in order to improve alignment against our policies and beliefs as well as enhance disclosure. These priorities are linked to the UN Sustainable Development Goals with an international endeavour in mind, and aim to improve sustainability within the portfolio and have a direct real world impact to our members' current and future landscape. The Trustee's three stewardship priorities are:

- **Climate Crisis** (with a focus on climate change and net zero greenhouse gas emissions)
- **Environmental Impact** (with a focus on biodiversity, deforestation and water)
- **Human Rights** (with a focus on living wages gender equality and health & nutrition)

On behalf of the Trustee, the Fiduciary Manager has recently written to the Scheme's investment managers reaffirming and expanding on the Trustee's policy and expectations which align with our stewardship priorities. The Trustee expects the investment managers to incorporate these themes into their future voting practices and the Fiduciary Manager will monitor future manager disclosures to ensure alignment against our priorities

Trustee’s Report

Implementation Statement(continued)

1.3 How have we implemented our Stewardship Policy?

Scheme structuring

The Trustee holds investments primarily on an indirect basis through pooled funds. The reason for this approach is that:

- It provides a broader range of investment opportunities, which helps to improve the diversification of investments, which in turn helps to manage risk;
- Fixed costs are shared amongst other investors, thereby reducing our overall costs; and
- It simplifies the implementation process as existing funds can be used with standard terms and agreements, reducing the overall governance burden both on the Trustee and the Sponsor.

Where investments are made in pooled funds the Trustee follows the voting and engagement policies of the investment managers of the pooled funds. However, the Trustee remains responsible for ensuring that the investment managers our Fiduciary Manager appoints act consistently with the Scheme’s Stewardship Policy.

External engagements

The Trustee assesses that the Fiduciary Manager has been aligned with our Stewardship Policy throughout the year. The Fiduciary Manager has been a signatory to the UN Principles for Responsible Investment since 2011 and they are a signatory to the UK 2020 UK Stewardship Code.

In addition, the Fiduciary Manager is a member of a range of sustainable investment organisations, these are noted below.



Engagement beliefs

The development of engagement beliefs is an important Trustee responsibility. We have delegated the day-to-day implementation of our beliefs to the Fiduciary Manager, having concluded that the Fiduciary Manager’s core beliefs are consistent with our own. The beliefs driving the Fiduciary Manager’s approach to engagement are as follows.

Trustee's Report

Implementation Statement(continued)

Quality over quantity

The Fiduciary Manager is interested in a few meaningful quality engagements, with strong reporting (rather than, being interested in the quantity of votes). They want managers to prioritise the highest sustainability impacts in their portfolios

Long-term

The Fiduciary Manager encourages underlying managers to form long-term relationships with companies. Successful stewardship can take many months, maybe even years.

Real world impact

The Fiduciary Manager is interested in engagement on topics that contribute to positive real-world sustainability impact (such as, reduction in absolute carbon emissions).

Transparency

Some engagement, perhaps even most engagement, will be unsuccessful. The Fiduciary Manager is realistic, and they prefer transparency from managers.

Collaboration

Engagement is more efficient when managers collaborate – not just for the managers, but for the companies too (who will field fewer, but higher conviction, engagements from their investors). The Fiduciary Manager encourages underlying managers to participate in collaborative initiatives, such as Climate Action 100+.

Innovation

The Fiduciary Manager welcomes innovation, for example, third-party tools to assess a company's conviction on sustainability topics.

Integrated

The Fiduciary Manager is interested in how (if at all) stewardship contributes to the investment thesis and whether managers link their stewardship to other engagement activity (for example, policy engagement).

Manager selection and monitoring

When selecting investment managers, the Fiduciary Manager scrutinises the stewardship, voting and engagement policies. Activities of investment managers are assessed before the initial investment to ensure they align with our Stewardship Policy. The Fiduciary Manager monitors our investment managers on an ongoing basis; ensuring their activities align with our Stewardship Policy and engaging with our investment managers to help them improve their stewardship approach.

The Fiduciary Manager closely monitors investment managers who do not meet our stewardship standards and actively works with them to improve their policies, processes and reporting.

The Trustee monitors voting and engagement activity of our investment managers and challenges their activity through the Fiduciary Manager. We categorise our managers according to how material voting, and engagement is in their mandate. The Trustee focuses its efforts on any managers where voting and engagement is material.

Trustee's Report

Implementation Statement(continued)

The Scheme invests in a series of Private Market and Real Estate investments. A critical means of value creation for many such strategies is ensuring that each business or asset has the best governance possible. For example, the Scheme's Real Estate investment is via a fund which owns large properties. A crucial part of their ongoing management is evaluating how environmental factors (such as energy efficiency, waste disposal, water supply and carbon footprint) will impact. Social issues also play an important part, through factors such as health & safety standards, workers' rights and diversity / inclusion standar.

Compliance statement

To the best of our knowledge, the Trustee has complied with the Stewardship Policy over the year.

2. Voting activity

The Shareholder Rights Directive (SRD II) and the UK Stewardship Code 2020 both emphasise the importance of institutional investors and asset managers engaging with the companies in which they invest. They stress the importance of exercising shareholder voting rights effectively. Voting only applies to equities held by the Scheme and as most investments are made using derivatives, there is limited scope for the Trustee to directly influence voting.

2.1 How did our managers vote?

The tables below provide a summary of the voting activity undertaken by our managers during the year.

Note: All investment managers that the Scheme invests with, directly or indirectly, are subject to the Scheme's engagement policy and monitored accordingly. The managers included in this section denote those where voting and engagement are seen as material aspects of their investment process, rather than necessarily those investments we have the largest exposure to. In some cases, aspects of a manager's voting activity may not be included in this document; where we have concerns that public disclosure prohibit the investment strategy of the Scheme

iShares Core FTSE 100 UCITS ETF

	Manager response
Number of meetings the manager was eligible to vote at over the year	117
Number of resolutions the manager was eligible to vote on over the year	2,213
% of eligible resolutions the manager voted on	100%
% of votes with management	97%
% of votes against management	3%
% of resolutions the manager abstained from	0%

Trustee's Report

Implementation Statement(continued)

2.2 Use of proxy voting services

Proxy voting services are specialist firms that provide an outsourced voting service. Some investment managers choose to use these services (rather than vote themselves). The reasons for using proxy voting services could include:

- The investment manager lacks the resource to research each vote and submit votes
- The investment manager wants to follow a recognised code of practice and the proxy voting service is an easy way to implement this

Using a proxy voting service does not necessarily mean that voting is done poorly. In fact, many professional proxy voting services are able to devote significant resource to researching AGM motions and are able to follow best practice guides like the Financial Reporting Council's (FRC) Stewardship Code.

We recognise that by having a suitable Stewardship Policy in place and using our Fiduciary Manager to monitor voting activity, investment managers can create more engagement over time; particularly smaller, more boutique managers with less in-house expertise and resource.

Manager	Use of proxy voting service
iShares Core FTSE 100 UCITS ETF	They use Institutional Shareholder Services' (ISS) electronic platform to execute vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, they work with proxy research firms who apply proxy voting guidelines to filter out routine or non-contentious proposals and refer any meetings where additional research and possibly engagement might be required to inform the voting decision.

3. Engagement Activity

Engagement is considered to be purposeful dialogue with a specific and targeted objective to achieve positive change in the interests of beneficiaries, thereby a key action required for delivering good stewardship. The Fiduciary Manager is passionate about active engagement, as opposed to disinvestment or exclusions practices, in order create positive real-world change. Through engagement, asset managers can build relationships with the companies in which they invest, helping to steward companies on a range of topics, including sustainability.

The tables below provide examples of engagement activity of the Scheme's investment managers where engagement should be a material activity in the management of the assets.

iShares Core FTSE 100 UCITS ETF

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale / Outcome
Barclays	04 May 2022	To approve Barclays' Climate Strategy, Targets and Progress 2022	For	Approved

Trustee's Report

Compliance Matters

The purpose of this Statement is to provide information, which is required to be disclosed in accordance with Schedule 3 of The Occupational Pension Schemes (Disclosure of Information) Regulations 1996 or voluntarily by the Trustee. The information deals with matters of administrative routine.

MoneyHelper

MoneyHelper (formerly The Money and Pensions Service (MaPs)) was created in 2019 as a single body providing information to the public on matters relating to workplace and personal pensions.

Address: 120 Holborn, London, EC1N 2TD

Telephone: 0800 011 3797

Email: contact@maps.org.uk

Website address: <https://singlefinancialguidancebody.org.uk>

Pensions Ombudsman

The Pensions Ombudsman of 1st Floor, 10 South Colonnade, Canary Wharf, London E14 4PU will assist members and beneficiaries of the Scheme in connection with difficulties which they have failed to resolve with the Trustee or administrators of the Scheme and may investigate and determine any complaint or dispute of fact or law in relation to an occupational pension scheme.

Telephone: 0800 917 4487

Early resolution email: helpline@pensions-ombudsman.org.uk

Email: enquiries@pensions-ombudsman.org.uk

Pensions Regulator

In addition to the above the Pensions Regulator (TPR) of Telecom House, 125-135 Preston Road, Brighton BN1 6AF regulates company pension schemes and enforces the law as it relates to them. It has wide ranging powers which include the power to:

- suspend, disqualify and remove a Trustee, or director of a Trustee Company, for consistently not carrying out their duties.
- wind up a scheme where necessary.
- apply for injunctions to prevent the misuse and misappropriation of Scheme assets and apply for restitution where necessary.

Telephone: 0345 600 7060

Email: enquiries@pensions-ombudsman.org.uk

The Scheme's professional advisers have a statutory duty to make an immediate written report to the Pensions Regulator if they believe that legal duties concerned with the running of the Scheme are not being carried out.

Trustee's Report

Report on Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, every Scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date, assessed using the assumptions agreed between the Trustees and the Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out as at 1 April 2022. This showed that on that date:

	2022	2019
The value of the Technical Provisions was:	£404 million	£430 million
The value of the assets at that date was:	£439 million	£411 million

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles):

Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

Significant actuarial assumptions

RPI Inflation: A yield curve approach is applied, based on the forward rates implied by the annualised (extrapolated) inflation yield spot curve published by the Bank of England, adjusted to reflect the extent to which the Scheme's assets provide inflation protection. At 1 April 2022, the adjustment was 0.0% p.a., reflecting the Scheme's target of 100% inflation hedging.

CPI Inflation: The CPI inflation assumption is based on the RPI inflation assumption, adjusted in line with the best estimate assumption which reflects expected future differences between RPI and CPI inflation. At 1 April 2022, the adjustment was 0.9% p.a. for periods up to February 2030 and 0.0% p.a. at each duration thereafter.

Discount rate: A yield curve approach is applied, based on the forward rates implied by the annualised (extrapolated) fixed interest gilt yield spot curve published by the Bank of England plus 0.9% p.a. at each duration.

Pre-retirement mortality: This is assumed to be in accordance with the mortality tables AMC00 for male members, and AFC00 for female members. The tables have been projected from 2000 onwards by reference to each member's year of birth using CMI 2021 long-term improvement table with a long-term improvement rate of 1.75% p.a. Additional parameters of $A=0.25\%$, $S_k = 7$, $w_{2020}=0\%$ and $w_{2021}=0\%$.

Post-retirement mortality: This is assumed to be in accordance with the mortality tables S3PMA multiplied by 92% for male members, and S3PFA multiplied by 103% for female members. The tables have been projected from 2016 onwards by reference to each member's year of birth using the CMI 2021 long-term improvement table with a long-term improvement rate of 1.75% p.a. Additional parameters of $A=0.25\%$, $S_k = 7$, $w_{2020}=0\%$ and $w_{2021}=0\%$.

New entrants: no allowance has been made for new entrants

Trustee's Report

Report on Actuarial Liabilities (continued)

Significant actuarial assumptions(continued)

Retirement: no allowance for any deferred members retiring prior to Normal Retirement Date (NRD) except for members who are able to take unreduced benefits at ages earlier than their NRD without consent being required, with such members being assumed to retire at the earliest age at which these conditions apply.

Age difference of spouse: males are assumed to be three years older than females. No explicit allowance is made in respect of civil partnerships.

Percentage married at Death: 80% of male members and 70% of female members are assumed to have eligible adult dependants of the opposite sex as at:

1. the valuation date for current pensioners; and
2. the date of assumed retirement or earlier death for deferred members.

Expenses: no allowance has been made for Scheme expenses, as these expenses (other than investment management charges) are paid in addition by the company.

Cash commutation: 50% of members are assumed to take the maximum amount of cash allowed based on Scheme cash commutation factors in place at the effective date of the valuation.

Transfer Values: no allowance has been made for members exercising their right to take a transfer value from the Scheme.

Statement of Trustee's responsibilities for the financial statements

The audited financial statements, which are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, are the responsibility of the Trustees. Pension Scheme regulations require the Trustees to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

- (i) show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- (ii) contain the information specified in the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice Financial Reports of Pension Schemes.

The Trustee has supervised the preparation of the financial statements and have agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. They are also responsible for:

- assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.
- using the going concern basis of accounting unless they either intend to wind up Scheme, or have no realistic alternative but to do so; and
- making available each year, commonly in the form of a Trustee's annual report, information about the Scheme prescribed by pensions legislation, which they should ensure is fair and impartial.

The Trustee also has certain responsibilities in respect of contributions which are set out in the statement of Trustee's responsibilities accompanying the Trustee's summary of contributions.

The Trustee is responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities.

Trustee's Report

Contact for Further Information

Capita Pension Solutions Limited
48 Finnieston Square
Skypark 4
Glasgow G3 8ET
Tel: 0845 601 0607

Email: upmpensions@capita.co.uk

Approval of the Annual Report and Financial Statements

This Trustee Report was approved by the Trustee of the UPM-Kymmene UK Pension Scheme and signed on its behalf by:



Kevin Wesbroom

Date: 24.10.23



Actuary's Certification of Schedule of Contributions

UPM-Kymmene UK Pension Scheme

Adequacy of rate of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 1 April 2022 to continue to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 31 March 2023.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature		Date	31 March 2023
Name	Paul Moore	Qualification	Scheme Actuary, Fellow of the Institute and Faculty of Actuaries
Address	Buck Consultants Limited 55 Princess Street Manchester M2 4EW		

Buck is a trading name in the UK for Buck Consultants Limited (registered number 1815055), Buck Consultants (Administration & Investment) Limited (registered number 1034719), and Buck Consultants (Healthcare) Limited (registered number 172919), which are private limited liability companies registered in England and Wales. All have their registered office at 20 Wood Street, London EC2V 7AF. Buck Consultants (Administration & Investment) Limited and Buck Consultants (Healthcare) Limited are authorised and regulated by the Financial Conduct Authority.

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Independent Auditor's Statement about Contributions to the Trustee of the UPM-Kymmene UK Pension Scheme

We have examined the summary of contributions payable to the UPM-Kymmene UK Pension Scheme for the Scheme year ended 31 March 2023 which is set out on page 10.

In our opinion contributions for the Scheme year ended 31 March 2023 as reported in the summary of contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 31 March 2023.

Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached summary of contributions have in all material respects been paid at least in accordance with the schedule of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme and the timing of those payments under the schedule of contributions.

Respective responsibilities of Trustees and the Auditor

As explained more fully in the Statement of Trustee's Responsibilities in respect of contributions set out on page 10, the Trustee is responsible for preparing, and from time to time reviewing and, if necessary, revising a schedule of contributions and for monitoring whether contributions are made to the scheme by the employer in accordance with the schedule of contributions.

It is our responsibility to provide a Statement about Contributions payable under the Schedule of Contributions and to report our opinion to you.

This statement is made solely to the Trustee, as a body, in accordance with the Occupational Pension Schemes (Requirement to Obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Trustees those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustees, as a body, for our work, for this statement or for the opinions we have formed.

CLA Evelyn Partners Limited

CLA Evelyn Partners Limited

Chartered Accountants
Statutory Auditor
Bristol

Date: 24 October 2023

Independent Auditor's Report to the Trustee of the UPM-Kymmene UK Pension Scheme

Opinion

We have audited the financial statements of the UPM-Kymmene UK Pension Scheme (the 'scheme') for the year ended 31 March 2023 which comprise the Fund Account, the Net Assets Statement and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the scheme during the year ended 31 March 2023, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report.

Independent Auditor's Report to the Trustee of the UPM-Kymmene UK Pension Scheme

Other information (continued)

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the trustee

As explained more fully in the Statement of Trustee's Responsibilities set out on page 23, the trustee is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustee is responsible for assessing the scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to wind up the scheme or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

Based on our understanding of the scheme and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK pensions legislation such as the Pensions Acts 1995, 2004, 2008, 2014 and 2021 and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. We evaluated trustee's opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to misappropriation of assets, particularly cash and investments and posting inappropriate journal entries.

Independent Auditor's Report to the Trustee of the UPM-Kymmene UK Pension Scheme

Auditor's responsibilities for the audit of the financial statements (continued)

Audit procedures performed included:

- enquiry of the trustee to identify the existence of any correspondence with the Pensions Regulator or any instances of non-compliance with applicable laws and regulations.
- review of minutes of trustee meetings
- obtaining independent confirmation of, and testing of a risk-based sample of investment balances at the year end
- testing of a risk-based sample of journal entries to supporting documentation
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.
- challenging assumptions and judgements made by the trustee in their significant accounting estimates, in particular in relation to the valuation of the annuity policy and the Cardano Solution Fund 18.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the scheme's trustees, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the scheme's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the scheme's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

CLA Evelyn Partners Limited

CLA Evelyn Partners Limited

Statutory Auditor
Chartered Accountants
Bristol

Date: 24 October 2023

Fund Account

For the year ended 31 March 2023

	Note	2023 £	2022 £
Contributions and benefits			
Employer contributions		-	5,300,000
Employee contributions		34,738	23,565
Total contributions	5	34,738	5,323,565
Transfers in	6	447,406	458,784
		482,144	5,782,349
Benefits paid or payable	7	(11,513,080)	(10,765,696)
Payments to and on account of leavers	8	(6,058,133)	(8,169,344)
Administrative expenses	9	(102)	-
		(17,571,315)	(18,935,040)
Net withdrawals from dealings with Members		(17,089,171)	(13,152,691)
Returns on investments			
Investment income	10	1,822,946	1,916,400
Change in market value of investments	11	(147,382,436)	22,873,991
Investment management expenses	14	(1,399)	-
Net returns on investments		(145,560,889)	24,790,391
Net (decrease)/ increase in the fund during the year		(162,650,060)	11,637,700
Net assets of the Scheme at 1 April 2022		439,758,124	428,120,424
Net assets of the Scheme at 31 March 2023		277,108,064	439,758,124

The accompanying notes on pages 32 to 42 form an integral part of these financial statements.

Statement of Net Assets (available for Benefits)

As at 31 March 2023

	Note	Total 2023 £	Total 2022 £
Investment assets:	11		
Pooled investment vehicles	16	259,452,878	414,584,428
Insurance policies	13	14,133,000	17,695,000
AVC investments	17	1,058,330	1,091,638
Other investment balances	11	680,000	680,000
Total net investments		275,324,208	434,051,066
Current assets	21	1,886,083	5,946,892
Current liabilities	22	(102,227)	(239,834)
Net assets of the Scheme at 31 March 2023		277,108,064	439,758,124

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations for the Scheme, is dealt with in the Report on Actuarial Liabilities on pages 21 and 22 of the Annual Report and these financial statements should be read in conjunction with this report.

The accompanying notes on pages 32 to 42 form an integral part of these financial statements.

These financial statements were approved by the Trustee and were signed on its behalf by:

Kevin Wesbroom

Date: 24.10.23

Notes to the Financial Statements

1. General information

Historically, the Scheme used to incorporate a Closed Defined Benefit (DB) section with an open Defined Contribution (DC) section. The DC section was closed to future accruals from 31 May 2020 and following a bulk transfer without member consent was transferred to the Legal and General WorkSave Mastertrust on 7 August 2020. The Scheme is administered by Capita Pension Solutions Limited in accordance with the establishing documents and rules, solely for the benefit of its members and other beneficiaries.

2. Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 ("FRS 102") – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and with guidance set out in the Statement of Recommended Practice ("SORP") (revised 2018).

The financial statements are prepared on a going concern basis, which the Trustee believes to be appropriate as they believe that the Scheme has adequate resources to realise its assets and meet pension payments in the normal course of affairs (continue to operate) for at least the next twelve months.

3. Identification of the financial statements

The Scheme is established as a trust under English law. The registered address of the Scheme is Meadowhead Road, Irvine, KA11 5AT.

4. Accounting policies

The principal accounting policies of the Scheme are as follows:

Contributions

Employee contributions, including AVCs, are accounted for by the Trustee when they are deducted from pay by the Employer.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the Schedules of Contributions or on receipt if earlier with the agreement of the employer and Trustee.

Payments to members

Benefits are accounted for in the period in which the member notifies the Trustee of their decision on the type or amount of benefit to be taken, or if there is no member choice, on the date of retiring or leaving.

Pensions in payment are accounted for in the period to which they relate.

Individual transfers in or out of the Scheme are accounted for when member liability is accepted or discharged, which is normally when the transfer amount is paid or received.

Notes to the Financial Statements

4. Accounting policies (continued)

Expenses

Expenses are accounted for on an accruals basis.

Investment income

Income from pooled investment vehicles is accounted for when declared by the fund manager. Where investment income arising from the underlying investments of the pooled investment vehicles is rolled up and re-invested in the total of the investment vehicles, this is reflected in the unit price and reported within change in market value.

Receipts from annuity policies and interest on cash deposits are accounted for as investment income on an accruals basis.

Investments

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Investments are included at fair value as described below:

Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager.

The Annuities have been valued by the Scheme Actuary using the assumptions which have been used for funding purposes.

The Trustee holds annuity policies with Prudential, Aviva, Legal & General and Aviva and the asset value can be found in note 17.

Presentation currency

The Scheme's functional and presentation currency is pounds sterling.

Critical accounting estimates and judgements

The Trustee makes estimate and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. For the Scheme, the Trustee believes the only estimates and assumptions that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year are related to the valuation of the Scheme investments. Explanation of the key assumptions underpinning the valuation of investments are included within the accounting policies above as well as notes 11 to 20 of the financial statements.

Notes to the Financial Statements

5. Contributions

	2023 £	2022 £
Employer contributions		
Deficit funding contributions	-	5,300,000
	-	5,300,000
Employee contributions		
Additional voluntary contributions	34,738	23,565
Total	34,738	5,323,565

The last full actuarial valuation of the Scheme was performed by Mr P Moore of Buck Consulting as at 1 April 2022 which revealed the Scheme to have a surplus on an ongoing basis of approximately £34m. In light of this there is no requirement for the Company to make any contributions to the Scheme to protect the funding position,

6. Transfers in

	2023 £	2022 £
Individual transfers in	447,406	458,784

All of the transfers above into the Scheme in 2023 represent members who have chosen the option to switchback monies from the Legal and General WorkSave Mastertrust into the DB scheme to cover their retirement benefit lump sum.

7. Benefits paid or payable

	2023 £	2022 £
Pension payments	9,654,117	9,133,826
Commutations and lump sum retirement benefits	1,858,963	1,619,397
Lump sum death benefits	-	12,473
	11,513,080	10,765,696

Notes to the Financial Statements

8. Payments to and on account of leavers

	2023 £	2022 £
Individual transfers out	5,913,204	8,169,344
Pension Sharing on Divorce	100,000	-
AVC Transfer out	44,004	-
Refunds in respect of Opt outs	925	-
	<u>6,058,133</u>	<u>8,169,344</u>

9. Administrative expenses

	2023 £	2022 £
Administration expenses	102	-
	<u>102</u>	<u>-</u>

10. Investment income

	2023 £	2022 £
Income from pooled investment vehicles	1,317	234,400
Interest on cash deposits	2,629	-
Annuity income	1,819,000	1,682,000
	<u>1,822,946</u>	<u>1,916,400</u>

11. Reconciliation of investments held at the beginning and end of the year

Defined Benefit Section	Value at 1 April 2022 £	Purchases at cost £	Sales proceeds £	Change in market value £	Value at 31 March 2023 £
Defined Benefits Section					
Pooled investment vehicles	414,584,428	7,050,000	(18,310,895)	(143,870,656)	259,452,878
Insurance policies	17,695,000	-	-	(3,562,000)	14,133,000
AVC investments	1,091,637	34,748	(118,275)	50,220	1,058,330
	<u>433,371,065</u>	<u>7,084,748</u>	<u>(18,429,170)</u>	<u>(147,382,436)</u>	<u>274,644,208</u>
Cash in transit	680,000				680,000
	<u>434,051,065</u>				<u>275,324,208</u>

Notes to the Financial Statements

11. Reconciliation of investments held at the beginning and end of the year (Continued)

The change in market values of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Transaction costs

Transaction costs are included in the cost of purchases and sales proceeds. Direct transaction costs include costs charged to the Fund such as fees, commissions and stamp duty.

12. Concentration of Investments

The following Pooled Investment Vehicles represent those which individually represent more than 5% of the net assets of the Scheme.

Manager	Fund	2023 £	%	2022 £	%
Cardano	Cardano Solution Fund 18	259,135,976	92.3	414,583,428	94.28

13. Insurance policies

	2023 £	2022 £
Value of insured annuities	14,133,000	17,695,000

14. Investment management expenses

	2023 £	2022 £
Investment manager fees	1,399	-

15. Taxation

The Scheme is a registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

16. Pooled investment vehicles

The Scheme's investments in pooled investment vehicles at the year end comprised:

	2023 £	2022 £
Defined Benefit Section		
Multi Asset funds (Cardano Solution Fund 18)	259,135,976	414,583,428
Cash fund	316,902	1,000
	259,452,878	414,584,428

The DB section of the Scheme is the sole investor in the Cardano Solution Fund 18. A breakdown of the underlying assets as at 31 March 2023 is included below:

Notes to the Financial Statement

16. Pooled investment vehicles (continued)

	2023 £	2022 £
Multi-strategy fund	74,969,541	227,027,937
OTC derivative liabilities	(17,182,417)	(6,473,434)
Infrastructure funds	32,624,851	36,531,109
Credit strategy fund	14,679,013	17,070,560
Property funds	16,051,343	19,117,074
Bond funds	98,139,496	75,954,937
Cash funds	40,171,051	45,356,245
	<u>259,452,878</u>	<u>414,584,428</u>

17. AVC investments

The Trustee holds assets invested separately from the main investments to secure additional benefits on a money purchase basis for those members electing to pay Additional Voluntary Contributions. Members participating in this arrangement each receive an annual statement made up to 31 March confirming the amounts held in their account and the movements in the year.

The aggregate amounts of AVC investments are as follows:

	2023 £	2022 £
Utmost	68,731	76,062
Prudential	779,865	796,527
Royal London	85,999	86,000
Aviva	123,735	133,049
	<u>1,058,330</u>	<u>1,091,638</u>

18. Fair value determination

The fair value of financial instruments has been estimated using the following fair value hierarchy:

Level (1)	The unadjusted quoted price in an active market for identical assets or liabilities that the entity can assess at the assessment date.
Level (2)	Inputs other than quoted prices included within Level 1 that are observable (i.e., developed) for the asset or liability, either directly or indirectly.
Level (3)	Inputs are unobservable (i.e., for which market data is unavailable) for the asset or liability.

A fair value measurement is categorised in its entirety on the basis of the lowest level input which is significant to the fair value measurement in its entirety.

The Scheme's investment assets and liabilities fall within the above hierarchy levels as follows:

Notes to the Financial Statements

18. Fair value determination (continued)

As at 31 March 2023	Level (1) £	Level (2) £	Level (3) £	Total £
Defined Benefit Section				
Pooled investment vehicles	-	316,902	259,135,976	259,452,878
Insurance policies	-	-	14,133,000	14,133,000
AVC investments	-	1,058,330	-	1,058,330
Cash in transit	680,000	-	-	680,000
	680,000	1,375,232	273,268,976	275,324,208
<hr/>				
As at 31 March 2022	Level (1) £	Level (2) £	Level (3) £	Total £
Defined Benefit Section				
Pooled investment vehicles	-	1,000	414,583,428	414,584,428
Insurance policies	-	-	17,695,000	17,695,000
AVC investments	-	1,091,638	-	1,091,638
Cash in transit	680,000	-	-	680,000
	680,000	1,092,638	432,278,428	434,051,066

19. Investment risk disclosures

FRS 102 requires the disclosure of information in relation to certain investment risks to which the Scheme is exposed to at the end of the reporting period. These risks are set out by FRS 102 as follows:

- Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- Market risk: this comprises currency risk, interest rate risk and other price risk.
- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk: this is the risk that the fair value of future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee is responsible for determining the Scheme's investment strategy. The Trustee has set the investment strategy for the Scheme after taking advice from a professional investment adviser.

Notes to the Financial Statements

19. Investment risk disclosures (continued)

The Scheme has exposure to the above risks because of the investments it makes in following the investment strategy set out below. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreement in place with the Scheme's fiduciary manager and monitored by the Trustee by regular reviews of the investment portfolio. The investment objectives and risk limits of the Scheme are further detailed in the Statement of Investment Principles.

Further information on the Trustee's approach to risk management, credit and market risk is set out below.

Investment strategy

The Trustee has appointed Cardano Risk Management Limited ("Cardano") as its fiduciary manager, which encompasses the role of investment adviser and overarching investment manager for the Scheme. The Trustee works with Cardano to ensure that appropriate investment objectives have been set covering both risk and return.

Cardano is appropriately authorised under the Financial Services and Markets Act 2000.

Asset allocation

The Trustee has delegated responsibility for the asset allocation, the choice of underlying investment managers and derivative implementation to Cardano within a set of agreed investment guidelines. Cardano has an objective linked to the Scheme's funding level. Under this approach, the Trustee believes that the long-term return objectives can be achieved at substantially lower risk and volatility by adopting a much better diversified portfolio, managing asset allocation opportunistically and using derivatives to remove unwanted risks.

Cardano seeks to achieve the Trustee's objectives by investing the return seeking investments in a suitably diversified mix of assets including (but not limited to) the following types of investments:

- Equities
- Government bonds
- Credit
- Macro orientated strategies
- Multi strategy managers
- Cash
- Derivatives

Discretion has been provided to Cardano to manage both the Scheme's return-seeking investments and LDI assets within the Cardano Solution Fund 18, a sub-fund of the Cardano Common Contractual Fund.

Investment principles

In accordance with Section 35 of the Pensions Act 1995, the Trustee has produced a Statement of Investment Principles.

Notes to the Financial Statements

19. Investment risk disclosures (continued)

The main priority of the Trustee when considering the investment policy is to provide sufficient assets to pay benefits as they fall due. To help achieve this, the Trustee has formulated an investment objective based on the level of return they wish to target and the level of risk they are comfortable bearing. The Trustee has developed a framework with Cardano which ensures that investments are spread across a range of asset classes. Spreading the investments in this way reduces the risk of a sharp fall in one market having a substantial impact on the funding ratio.

The current strategy for the investment portfolio is to hold:

- 44% in investments that are expected to provide a return to the total assets equal to the return of the liabilities. This is referred to as the Liability Driven Investments (“LDI”) and comprises UK government bonds, gilt total return swaps, interest rate swaps and cash. The purpose of the LDI portfolio is to protect the Scheme’s funding ratio from changes in interest rates and inflation expectations.
- 56% in return-seeking investments.

The Trustee reviews the allocation of assets on a regular basis. The Trustee has delegated responsibility for the day-to-day monitoring of the asset class weightings against their prescribed ranges to Cardano. If the asset class weightings breach their prescribed ranges, Cardano is responsible for rebalancing the assets back to their respective targets.

The Statement of Net Assets (available for benefits) disclose the value of return seeking assets as at 31 March 2023 as £143.4m and the value of risk reducing (LDI) investments as £116.1m.

Credit risk

The Scheme invests in a pooled investment vehicle and is therefore directly exposed to credit risk in relation to the holding in the pooled investment vehicle. The Scheme is indirectly exposed to credit risks arising on the underlying financial instruments held by the pooled investment vehicle.

Credit risk arising on derivatives depends on whether the derivatives are exchange traded or over the counter (“OTC”). OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to the risk of failure of the counterparty. The credit risk for OTC derivatives is reduced by collateral arrangements. The Scheme only invests in derivatives through its investments via pooled investment vehicles. Indirect credit risk is mitigated by investing in a range of pooled funds.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the investment manager, the regulatory environments in which the investment managers operate and diversification of investments amongst several pooled arrangements. The pooled investment vehicle holdings are unrated.

Currency risk

Direct currency risk arises from the investment in the JP Morgan Infrastructure Fund which is held in US\$, and the Partners Group Direct Infrastructure Fund, which is held in EUR.

Indirect currency risk arises from the Scheme’s investments in Sterling priced pooled investment vehicles which hold underlying investments denominated in a foreign currency.

Notes to the Financial Statements

19. Investment risk disclosures (continued)

Interest rate risk

The Scheme is subject to indirect interest rate risk because some of the Scheme's investments are held through pooled vehicles in bonds, gilt total return swaps, interest rate swaps, and cash. Indirect market risk arises if the underlying investments of the pooled investment vehicles are exposed to interest rate or other price risks.

If interest rates fall, the value of LDI investments will typically rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the LDI investments will typically fall in value, as will the actuarial liabilities because of an increase in the discount rate.

At the year end the LDI portfolio represented 44.7% of the total investment. This variance from the target asset allocation is deemed to be within an acceptable range and will vary depending on normal market movements.

Indirect other price risk

Indirect other price risk arises principally in relation to the Scheme's return seeking portfolio, held in a pooled investment vehicle, which includes investments in a diverse range of asset classes.

The Scheme has set a target asset allocation of 70.0% of investments being held in return seeking investments. The Trustee manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

At the year end, the return seeking portfolio represented 55.3% of the total investment portfolio and the total value of investments is as follows:

Investment risk summary

The table below summarises the extent to which the available investments funds are exposed to financial risks.

Fund	Total Scheme Value 2023	Total Scheme Value 2022	Credit risk	Currency risk	Interest rate risk	Other price risk
	£ million	£ million				
Pooled investment vehicles						
Property fund	16.1	19.1	✓			✓
Infrastructure fund	32.6	36.5	✓	✓		✓
Credit strategy fund	14.7	17.1	✓		✓	✓
Multi Strategy fund	75.0	227.0	✓			✓
Bonds	98.1	76.0	✓		✓	
Cash and other net investment assets	40.2	45.4	✓		✓	
Derivatives	(17.2)	(6.5)	✓		✓	✓
Insurance Policies	14.1	17.7	✓		✓	✓
	273.6	432.3				

Notes to the Financial Statements

20. Legal nature of pooled investment vehicles

	2023 £	2022 £
Cardano Common Contractual Fund	259,135,976	414,583,428
Unit linked insurance plan (ULIP)	316,902	1,000
	<u>259,452,878</u>	<u>414,584,428</u>

21. Current assets (continued)

	2023 £	2022 £
Sundry debtors	24,646	23,787
Prepaid pensions	592,874	573,035
Trustee bank account	1,268,563	5,350,070
	<u>1,886,083</u>	<u>5,946,892</u>

22. Current liabilities

	2023 £	2022 £
Accrued benefits	97,867	138,081
Sundry creditors	3,886	97,867
AVC's	474	3,886
	<u>102,227</u>	<u>239,834</u>

23. Self investment

The investments of the Scheme are invested in accordance with Section 40 of the Pensions Act 1995.

24. Related party transactions

Capital Cranfield Pension Trustees Limited, in their capacity as independent Trustee, received a fee for their services, which is paid by the participating employer. For the year ended 31 March 2023 the fee was £53,000 of which £11,000 was outstanding at 31 March 2023 (2022: £49,758).

25. GMP Equalisation

In October 2018, the High Court ruled that pension schemes are required to equalise benefits between men and women for the effect of Guaranteed Minimum Pensions (GMP) which were accrued on or after 17 May 1990.

On 20 November 2020 the High Court ruled that trustees owed a duty to a transferring member to make a transfer payment which reflected the member's right to equalised benefits. Where the initial transfer payment was inadequate on this basis the trustee is under an obligation to make a top-up payment to the receiving scheme on behalf of the transferred member.

The Trustee has reviewed, with its advisers, the implication of these rulings in the context of the scheme rules and the value of any liability. On completion of the review the Trustee will put together a plan for correcting past benefits as well as inequalities in benefits coming into payment. The liability is not expected to be material and will be accounted for in the year that the payments are made.